

Data Sheet

USAID Mission:	Kazakhstan
Program Title:	Small and Medium Sized Enterprise Program
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	115-0131
Proposed FY 2004 Obligation:	\$12,266,000 FSA
Prior Year Unobligated:	\$1,227,000 FSA
Proposed FY 2005 Obligation:	\$9,600,000 FSA
Year of Initial Obligation:	2001
Year of Final Obligation:	FY 2006

Summary: USAID's program to improve the environment for the growth of small/medium enterprises includes training and technical assistance to: increase opportunities to acquire business information, knowledge, and skills; support more responsive financial institutions, instruments, and markets; and to improve the implementation of laws and regulations.

Inputs, Outputs, Activities:

FY 2004 Program:

Business Skills and Information (\$5,661,000 FSA, \$434,157 FSA carryover). USAID's Enterprise Development Project (EDP) will provide business and trade advisory services to 300 businesses in five cities across Kazakhstan. It is expected that on average, a client firm's sales will increase by approximately 18%, with a 10% increase in productivity. The Enterprise Development Project will continue training and testing accountants in International Accounting Standards. It expects that 515 Kazakhstan accountants will earn the Certified Accounting Practitioner designation and an additional 50 will earn the advanced Certified International Professional Accountant designation. In addition to advising businesses on quality systems implementation, expert consultants will advise agribusiness firms. USAID will continue to train professors in modern business and economics, and work with administrators at higher education institutions to build capacity and to develop economics and business programs that meet international standards. Further assistance will go towards connecting institutions to the internet via the "Virtual Silk Road Project." USAID, in partnership with Junior Achievement International, will provide business and economics training to middle and high school teachers and build administrative capacity for sustainability. USAID is also funding seven scholarships to the Kazakhstan Institute for Management and Economic Research. Principal contractors/grantees: Pragma Corporation (prime), MASHAV (prime), Carana Corporation (prime), Junior Achievement International (prime), and KIMEP (prime).

Access to Capital (\$4,180,000 FSA, \$705,000 FSA carryover). USAID's Financial Sector Initiative will assist in creating a national mortgage guarantee fund and the establishment of a credit bureau. The project will also advise commercial banks on issuing mortgage-backed securities. Additionally, legislation allowing the creation of new financial instruments, such as asset-backed securities, will be drafted. USAID's partnership with European Bank for Reconstruction and Development's Micro & Small Enterprise Finance Facility will continue through training 580 loan officers at participating commercial banks in portfolio management skills. USAID will work to improve leasing terms and legislation, increasing opportunities for small/medium enterprises. USAID will also support the Small Enterprise Assistance Fund, which will make four equity investments in promising local businesses. Principal contractors/grantees: Pragma Corporation (prime), International Finance Corporation (prime), Small Enterprise Assistance Fund (prime), and European Bank for Reconstruction and Development (prime).

Improve the Implementation of Laws and Regulations (\$2,425,000 FSA, \$87,437 FSA carryover). USAID's Trade Facilitation & Investment activity will continue working with associations and government across Kazakhstan to improve the legal and regulatory environment for businesses. The project will form partnerships with eight associations in order to train association staff in administrative and advocacy

skills, and to transfer methodologies for reducing investment constraints. The project will also work with the government to prepare for World Trade Organization accession by assisting on a draft law for technical regulations, and by training the employees of the state standards organization in the use of modern metrology equipment. Principal contractor/grantee: Pragma Corporation.

FY 2005 Program:

Business Skills and Information (\$5,005,000 FSA). The Enterprise Development Project will continue delivering advisory services and training with a particular focus on the implementation of accounting standards in client businesses. The project may expand to build local consulting capacity in cooperation with the EdNet project by developing the expertise found in academic institutions to deliver consulting services. The project will further train accountants in higher levels of accounting standards to produce more Certified International Professional Accountants. The development of a regional testing and certification organization is expected to result in its independence and sustainability. Principal contractor/grantee: Pragma Corporation.

Access to Capital (\$1,745,000 FSA). Assistance from the Financial Sector Initiative activity is expected to end in 2005. The country program may draw from Kazakhstan's success in this area through a regional Economic Policy program that would utilize USAID experience in Kazakhstan for assistance to other Central Asian republics. Principal contractor/grantee: to be determined through a competitive process.

Improve the Implementation of Laws and Regulations (\$2,850,000 FSA). USAID will focus further on transferring technical capacities to local associations to advocate for improved laws and policies for business. Progress on World Trade Organization accession is expected to continue and the project will deliver training and technical advice, especially in making the necessary changes to the legal framework. USAID will also provide further assistance in developing regulations for land registration systems and expanding legal aid to farmers through associations. Principal contractor/grantee: Pragma Corporation.

Performance and Results: USAID's assistance in the development of the mortgage industry showed impressive results as mortgage lending surpassed \$200 million, up from \$40 million the previous year. Technical assistance aided the issuance of \$4.5 million in mortgage-backed securities, which helped meet the demand of privatized pension funds to diversify their portfolios and enabled the issuing institutions to expand their mortgage portfolios. With the assistance of our business advisors, one Kazakhstan firm secured a \$12 million deal with a U.S. pharmaceutical company. Forty-seven trade deals worth over \$2.5 million were also completed during the past year. Commercial banks now recognize loans to small/medium enterprises can be a profitable venture. The result of this recognition is increased competition among banks for these clients and lower interest rates, in many cases dropping from 20% to 14% over the past two years.

By program's end, small/medium enterprises will be more competitive and reforms to the regulatory and legal environment will help foster their further development. The sustained growth of small/medium enterprises is critical to employment and income generation. In addition, entrepreneurs will have greater access to credit and the modern business skills and knowledge to start up and run successful businesses. Kazakhstan will have acceded to the World Trade Organization and have a compliant technical standards regime. Business associations will be effective voices for policy change and capable of providing quality services to their members.